BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268–0001

Public Inquiry on the Methodology to Estimate the Value of the Postal Service Letter and Mailbox Monopolies	Docket No. PI2020-1

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO QUESTIONS 1-9 OF CHAIRMAN'S INFORMATION REQUEST NO. 3**
(March 19, 2020)

The United States Postal Service hereby provides its responses to the above-

listed questions of Chairman's Information Request No. 3, issued February 18, 2020.

The questions are stated verbatim and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorney:

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1.   The current methodology to estimate the value of the postal monopoly uses data in part from the Postal Service's Rural Mail Count (RMC).[1] The RMC data has the most recent rural route evaluation performed in March 2018 on each active rural route (active before, or as of, February 2018).[2] Rural routes established after February 2018 are not included in the March 2018 RMC. Docket No. ACR2019, Response to CHIR No. 4, question 21.

      a.   Please specify the number and type of routes in the March 2018 RMC dataset that were likely adjusted after the March 2018 route evaluation. If the Postal Service is unable to identify such routes, please explain why not.

      b.   For new rural routes activated after February 2018, the Postal Service states that they "are formally evaluated as resources permit." Docket No. ACR2019, Response to CHIR No. 4, question 22. Please quantify how many new rural routes have received a formal evaluation. If the Postal Service cannot quantify how many new rural routes have received a formal evaluation, please explain why not.

RESPONSE:

a.   There are 2,024 routes in the March 2018 RMC dataset that were evaluated after the March 2018 route evaluation. A distribution of the route types for these routes is provided in the table below.

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[1] Postal Regulatory Commission *Report on Universal Postal Service and the Postal Monopoly*, December 19, 2008 (Report). *See* Report, folder "Appendices.zip," folder "USO Appendices," PDF file "Appendix F Section 4.pdf," *Quantitative Analysis of the Value of the Postal and Mailbox Monopolies*, Robert H. Cohen, at 9 (Analysis of Postal and Mailbox Monopolies), available at: *https://www.prc.gov/prc-reports?keys=USO&field_report_type_value=All&=Apply.*

[2] Docket No. ACR2019, Library Reference USPS-FY19-40, December 27, 2019, PDF file "USPS-FY19-40.Preface.pdf" at 2 (Docket No. ACR2019, Library Reference USPS-FY19-40); Docket No. ACR2019, Responses of the United States Postal Service to Questions 1-41 of Chairman's Information Request No. 4, January 24, 2020, question 21 (Docket No. ACR2019, Response to CHIR No. 4).

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March 2018 RMC Route Type	Date of Evaluation		
	10/13/2018	10/12/2019	Total
A	408	123	531
H	27	52	79
J	53	80	133
K	690	591	1,281
Total	1,178	846	2,024

b.   There were 1,797 routes which were not evaluated in the 2018 RMC and
received a new formal evaluation during the September 2018 count. There were 724
routes which were not evaluated in the 2018 RMC and received a new formal evaluation
during the September 2019 count.

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2.   In its Docket No. ACR2019, Response to CHIR No. 4, the Postal Service states that "[t]he established [Annual Compliance Report] methodology has the RMC dataset updated only when a complete Rural Mail Count occurs." *Id.* question 21. Is it feasible for the Postal Service to provide an updated annual RMC dataset, prior to "when a complete Rural Mail Count occurs" for use in the Commission's postal monopoly valuation model? If so, please provide and discuss the feasibility of a potential future schedule. If not, please explain the reasons why not.

RESPONSE:

The Postal Service could provide an annual RMC dataset for use in the postal

monopoly valuation model. The updated RMC dataset should hopefully be available by

the end of the second quarter of each fiscal year.

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3. Please refer to the response and table provided in the Docket No. ACR2019, Response to CHIR No. 4, question 20. Please explain the meaning and difference between the ranges for "Standard Hours" and "Evaluated Hours" in the table included with the response.

RESPONSE:

Standard Hours are the average weekly route hours calculated by applying the evaluation standards to the data collected during each day of the Rural Mail Count. Evaluated Hours are the regular or replacement carrier's weekly compensation hours that are assigned to the route based on the Standard Hours and reflect the carrier's service per week. In other words, Standard Hours are intrinsic to the route itself, while Evaluated Hours are focused just on the carrier assigned to the route (who might not be the only person covering the route over the course of a pay period).

Two numerical examples in conjunction with the table supplied in the response to Docket No. ACR2019, ChIR No. 4 question 20 are likely useful to understand the relationship between the two metrics.[3] Suppose the Standard Hours for a rural route total to 41:05 (hours: minutes). From the table below, this route would be classified as an H route. More specifically, however, it would be classified as a 41 H route. This means the assigned carrier would receive 41 hours of compensation weekly and work six days a week (no relief day). Now suppose another route has Standard Hours that

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[3] Slightly incorrect lower-bound interval endpoints were provided for H Route classifications in the table provided in Docket No. ACR2019, Response to ChIR No. 4, Question 20 (January 24, 2020). The correct intervals are displayed in the table at the end of this response.

amount to 55:15. From the table below, this route would be classified as a K route.

This route receives 9:13 of evaluation credit daily (55:15/6). Multiplying 9:13 by 10

(carrier work days per pay period) equals 92.1 hours per pay period, or 46.05 evaluated

hours per week. Hence, this route would be classified as a 46 K to reflect that the

assigned carrier gets paid for 46 hours weekly for five days of work.

In situations where the Standard Hours translate into two different route types,

the high/low option is used. Suppose the Standard Hours for a route total 47:55. As the

table suggests, the Standard Hours for this route are included in the ranges for both J

and K routes. Hence, this route could be classified as a 44 J (work eleven of twelve

days) or a 40 K (work ten of twelve days). If the carrier on this route meets certain

criteria established in the National Agreement, then the carrier may choose the route

type, in this case, 44 J or 40 K. The high and low refer to the number of weekly hours

the carrier gets paid. Thus, if the carrier chose 44 J, that would be the high option, and

if the carrier chose 40 K, that would be the low option. If the carrier does not meet the

criteria, then the low option is automatically applied to the route.

Standard Hours	Evaluated Hours	Route Classification
40:30 – 46:29	41 – 46	H Route (No Relief Days)
44:11 – 50:43	41 – 46	J Route (Relief Day Every Other Week)
47:24 – 57:36	40 – 48	K Route (Relief Day Each Week)
Over 11:30	12 – 57	Auxiliary Route

4.   Under the current methodology, the postal monopoly valuation model uses delivered volumes by shape from the RMC that are converted to product volumes using conversion factors or distribution keys from the Rural Carrier Cost System (RCCS).[4] The model calculates whether the revenue from the contestable volume on the route covers the entrant's costs. Analysis of Postal and Mailbox Monopolies at 9.

   a.   In the RMC rules for completing Postal Service Form 4239 (Rural Route Count of Mail), "Column 1 – Letter Size" states that "[a]ll detached address cards (with a specific address) for sample merchandise, shared mail, magazines, and catalogs are included in the letter count."[5] In "Column 7 – Boxholders," it states "[w]hen samples are received with detached address labels (specifically addressed), enter the total number of samples" and "[i]nclude simplified address, detached labels (no specific name or address) in this column." Handbook PO-603 *Rural Carrier Duties and Responsibilities* at 116.

      i.   Please discuss how the RCCS methodology counts, and as to what shape(s): detached address cards with a specific address, detached address cards with no specific address, and sample merchandise included with detached address cards.

      ii.   Please discuss for which shapes the counting of delivered volumes may or may not differ between the RMC and RCCS.

   b.   Under the current postal monopoly model valuation methodology, the volume as estimated by the RMC (for rural routes) and the volume from the weighted City Carrier Cost System (CCCS) sampled routes is used to estimate total delivered volume.[6] Please discuss whether the estimated total delivered volume for rural routes (using the RMC delivered volumes by shape) would under- or over-estimate total rural volume as compared to the RCCS delivered volumes by shape.

   c.   The RMC rules for Postal Service Form 4239 (Rural Route Count of Mail), "Column 15 - Non-Signature Scan Items," state "[e]nter the number of items scanned for which no signature was required."[7] For mailpieces with

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[4] *See* Analysis of Postal and Mailbox Monopolies at 9.

[5] Docket No. ACR2019, Response to CHIR No. 4, question 25, Library Reference USPS-FY19-46, folder "ChIR 4 Q 25 Rural," folder "RMC Instructions," PDF file "po603.pdf," September 2013, at 114 (Handbook PO-603 *Rural Carrier Duties and Responsibilities*).

[6] *See* Analysis of Postal and Mailbox Monopolies at 9.

[7] Handbook PO-603 *Rural Carrier Duties and Responsibilities* at 119.

USPS Tracking (non-signature) service, would the volume be counted and included in both the RMC dataset variable "SCANITEM" and the shape variables delivered volumes such as "LETTERS" or "PARCELS?"[8] If not, please confirm that letters or parcels with USPS Tracking service would be counted in their respective RMC delivered shape variables.

RESPONSE:

a.i.   Both the parent piece and the DAL are counted and recorded individually in the RCCS software. The shape for the DAL is always DPS or Other Letter/Card. The address format determines the compensation category. If the DAL has a simplified address, compensation category is recorded as "Boxholder." If the DAL has a specific address, the proper type of letter is recorded as the compensation category. The parent piece shape is recorded separately and with Compensation Category "Boxholder" (normally it has simplified or no address).

a.ii.   Both the RMC and RCCS count delivered volumes by compensation category and not shape. The volumes are counted identically between the two sources, except for "Sector/Segment Letters," which are combined with DPS Letters (Order No. 339, Docket No. RM2009-10) and constitute the "DPS Letter" compensation category in RCCS. The physical shape of a mail piece could be different from the assigned compensation category based on the National Rural Mail Count.

b.   The volumes estimated from the Rural Mail Count (RMC) and from the Rural Carrier Cost System (RCCS) are both estimates of the annual volume. However,

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[8] Docket No. ACR2009, Library Reference USPS-FY09-40, December 29, 2009, PDF file "USPS-FY09-40.Preface.pdf," at 3.

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RCCS is an ongoing sampling system and measures volumes throughout the year,

through all seasons. RMC only measures volumes during selected weeks of the year,

typically during time periods when volumes are neither extremely high nor extremely

low. It is not clear, a priori, whether the RMC estimates would be greater or less than

the RCCS estimates.

c.   Yes.

5. The Postal Service provided the FY 2018 CCCS manual and digital datasets with additional variables in support of its initial comments.[9]

  a. Please provide the FY 2019 CCCS manual and digital datasets with the same additional variables including the unencrypted ZIP Code.[10]

  b. Please provide the number of city routes in each ZIP Code for both the manual and digital FY 2019 CCCS datasets.

  c. Please provide the number of city routes in each ZIP Code for both the manual and digital FY 2018 CCCS datasets.

  d. Please provide the FY 2019 RCCS manual and digital SAS datasets with the same additional variables (including the unencrypted ZIP Code) provided for the CCCS manual and digital SAS datasets.

  e. Please provide the number of rural routes in each ZIP Code for both the manual and digital FY 2019 RCCS datasets.

  f. Please provide the FY 2018 RCCS manual and digital SAS datasets with the same additional variables (including the unencrypted ZIP Code) provided for the CCCS manual and digital SAS datasets.

  g. Please provide the number of rural routes in each ZIP Code for both the manual and digital FY 2018 RCCS datasets.

RESPONSE:

Because RCCS-Digital was not in operation during FY 2018, there is no RCCS

digital dataset available with regard to part f. of the question. Further, since RCCS-

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[9] Initial Comments of the United States Postal Service, November 1, 2019, at 4; Library Reference USPS-PI2020-1/1, November 1, 2019, folder "PI2020.1.UPDATED Z FILES.zip," SAS datasets "cccs_z_acrfy18_dig_monop.sas7bdat," and cccs_z_acrfy18_monop.sas7bdat" (Library Reference USPS-PI2020-1/1).

[10] The Postal Service may file the same data in a public library reference for other interested users and provide an electronic file mapping the actual route ZIP Code to the encrypted ZIP Code in a non-public library reference. *See* Library Reference USPS-PI2020-1/1, PDF file "PI.2020.1.Cmmtns.Fldr1.Preface.pdf" at 2-3; Library Reference USPS-PI2020-1/NP1, November 12, 2019, provided with Responses of the United States Postal Service to Questions 1-6 of Chairman's Information Request No. 2, question 5.b. (Response to CHIR No. 2)

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Digital does not have separate strata, the RCCS Manual dataset for FY2019 adds only the ZIP Code. The remaining requested files are provided under seal in folder USPS-PI2020-1/NP2.

Note that, for the RCCS manual dataset, the delivery ZIP Code may not always be identical to the ZIP Code of the route. For a more detailed description of the relationship between the route ZIP and the delivery ZIP, please refer to the response of Question 7 of this Information Request.

6. In its response to CHIR No. 1, the Postal Service confirmed that the Delivery Operations Information System delivery point sequence (DPS) volume is available for the same route-days currently sampled in the manual CCCS.[11] Under the current postal monopoly model methodology, the CCCS route-days are evaluated to determine whether the entrant can profitably deliver the contestable volumes on the city route. Analysis of Postal and Mailbox Monopolies at 9.

   a. Please provide, for each of the FY 2018 manual sample CCCS routes, the DPS volume for the test day.[12]

   b. Please provide, for each of the FY 2019 manual sample CCCS routes, the DPS volume for the test day.

RESPONSE:

a. and b. The requested files are provided in USPS-PI2020-1/2.

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[11] Responses of the United States Postal Service to Questions 1-5 of Chairman's Information Request No. 1, October 17, 2019, question 5 (CHIR No. 1).

[12] The Postal Service can provide an electronic file with the route number, ZIP Code, test date, and any other necessary linking variables such that the routes DPS volume can be merged with the data set provided in Library Reference USPS-PI2020-1/1 for the FY 2018 CCCS manual.

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7. Please provide the March 2018 RMC dataset with each route's unencrypted ZIP Code.

RESPONSE:

Rural routes are uniquely identified by the combination of finance number and route number. Hence, a rural route can deliver mail to multiple ZIP Codes. Although the exact number of routes that cross multiple ZIPs is unknown, one operational expert guessed that it could occur on as many as 10 percent of rural routes. Consequently, the Postal Service is unable to supplement the March 2018 RMC dataset, filed in Docket No. ACR2019 in USPS-FY19-40 with a distinct delivery ZIP for each route. However, the finance number (variable name – FINANCE) and route number (variable name – ROUTE) were added to all routes from the March 2018 RMC dataset filed in USPS-FY19-40 and, in instances where the Postal Service could establish that the route only delivered to one ZIP Code, the ZIP Code (variable name – Del_ZIP) was added to the route. The ZIP Code was added to 62,932 routes, or 83.7 percent, of the 75,159 total routes on the dataset. There are 6,049 routes, or 8.0 percent, that deliver to more than one ZIP Code, and 6,178 routes, or 8.2 percent, for which it was not clear from the available data whether the route had one delivery ZIP Code or multiple delivery ZIP Codes. The supplemental SAS dataset is provided under seal as part of USPS-PI2020-1/NP2.

8. Please refer to the Excel file "PI2020.1.ChIR2.Attachmnt.xlsx," tab "Q6.FY18DigitalData_ManStrata," column F included with the Response to CHIR No. 2. Please describe how the figures in column F labeled "XX" differ from and were derived as compared to the figures in columns C-E.

RESPONSE:

The digital sample includes routes that are excluded from the manual test frame. For example, there exist route numbers that are logical placeholders, but where the mail is physically delivered by other city carriers on routes that are sampled by CCCS. Digital records that are not part of the manual frame were given a manual strata 'XX,' since a manual strata could not be identified.

9.   Please refer to the Excel file "PI2020.1.ChIR2.Attachmnt.xlsx," tab "Q6.compareFY17Man_FY18Dig," column L "CVs, DPS" included with the Response to CHIR No. 2. Please provide the SAS programming steps and/or workbooks that show how the mailcode coefficient of variation was derived from the SAS dataset included with Docket No. ACR2017, Library Reference USPS-FY17-34.[13]

RESPONSE:

The requested SAS program, CityCV17_v1 (CRA MATCH) v2 104.sas, is provided in

folder USPS-PI2020-1/2.

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[13] Docket No. ACR2017, Library Reference USPS-FY17-34, December 29, 2017, folder "USPS-FY17-34_CCCS," SAS file "cccs_z_acr_public_fy17_final.sas7bdat."